Reserve

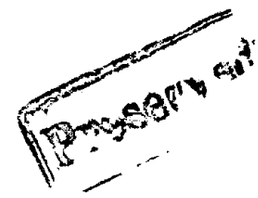
App. F. IX-4

192 ( ) 1/5 File No. ~~LRB~~ 114-24

Serial Nos. 62

Previous References
LB. 114-24(57,58+59)
LB 114-24(60+61)

Later References



General and Revenue Secretariat.

Serial Nos.

Part B for October 1926 —

SUBJECT

Requesting definite orders of government re. the procedure for calculation and payment in the matter of the division of the net earnings of the Kolar District Railway

---

The ~~opinion~~ Views of Government ~~is~~ are recorded. The Kolar District ~~Railway~~ Board can not be paid a larger amount than is actually claimed by it.

105
30/5

1972-908

App. F. III—2]

General and Revenue Secretariat. | File No. of 192

Serial No.

No Spl 50 / Rep dy 31.10.28 from the Comptr requesting definite interpretation of the Govt decision as to the rel earnings of K. D. Ry in respect of the provisions to be adopted for calculation of the amt to be paid.

Subs.

This may in the first instance be sent to L.S.G. Branch for favour of putting up the reference recording their views

5/11. L. S. G. Br.)

7.11.

7/11.

The orders quoted in the letter are contd (Flags X & L). Ind reference is invited to the terms of the notes in the reference collection kept in (KB 114-44-69) about the interpretation of Govt on the matter which has been agreed to by the Railways and the Comptr Govt.

Rlys & agree with this Dept hold that

8.11.28. the Rly Department have not consulted

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

General and Revenue Secretariat. | File No. of 192

Serial No.

3) The claim of the President originally was for the payment by Government

(a) guaranteed interest at 4% on Rs.8 lakhs loan or the entire capital amounting to Rs 1265998 on the ground that the District Board would have got 3½% interest on their savings utilised for the transactions, if deposited in Savings Bank.

(b) Half the share of net earnings.

&(c) Waiving of interest on overdrawals

(d) return of excess capital.

The total claim therein amounted to Rs.1,99,706 Government in G.O.No. 8697-760 Fin 114-24-5-7 dated 7th May 1927 stated that the claim of the Board to half the net earnings irrespective of the capital outlay supplied by it each year was untenable and they directed the settlement of the accounts as follows :-

(a) Guaranteed interest to be allowed on the total capital used out of the debenture loan.

(b) Net earnings to be distributed in proportion to the capital contributed by Government and Board in each of the years.

(c) Interest on overdrawals to be limited to 2 2/3% instead of 4%, the same interest being allowed on the amounts withheld from the Board.

4) The Auditor having raised certain points for orders in regard to the final payment to be made to the Board, the President took objects to the

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

General and Revenue Secretariat. | File No. of 192

Serial No.

interpretation of the Auditor that the Board was entitled to either the guaranteed interest on debenture loan of Rs.4,48,000/- or a proportionate share of net earnings in the ratio of capital contribution by each, whichever was greater, and stated that The Board ~~was~~ were entitled to guaranteed interest on - Rs.4,48,000 and half the share of net earnings on the balance of their share of capital outlay.

The Auditor now seems to ~~continue~~ contend that according to this Government when the President should ~~just~~ first deduct guaranteed interest on Rs.4,48,000 and calculate net earnings only on the balance in the ratio of capital contribution by each.

5) But Government have in ~~Government~~ their order of 9th August 1928 stated, after consulting the Financial Secretary that the Board should get the proportionate share in the net earnings from the Railways, But in the years in which the net earnings fall short of 4% of the capital contribution, the Govt. should make good in respect of the guaranteed portion of the loan raised for capital, the amount required to meet the deficit up to 4%.

6) The Auditor considers that the above interpretation gives to the Board much more than what they wanted, which according to him is the deduction of guaranteed interest first from net earnings and only the distribution of the balance thereof thereafter in

NOTE—Contn. Sheet

WD 01714—GPB—30,000—18-4-28

Serial No.

of the net earnings of the Railway. I do not think the President of the District Board has agreed to the guaranteed interest of Rs 4.48 lakhs being first deducted from the net earnings and to the balance being distributed in proportion to the capital contributed by the two parties exclusive of the said amount. The President of the District Board has in his letter of 3rd December 1927 to the Comptroller, asked for the distribution being made only in accordance with the Government Order of 7th June 1927 which leaves no room for doubt as regards the mode of distribution.

(10) The justification for this arrangement lies in the fact that the Board has been called upon to pay interest on overdrawals to make up its share of capital outlay. Vide, para 5 of the said letter. As a matter of concession, Government have agreed to charge a reduced rate of $2\frac{2}{3}$ per cent on the overdrawals instead of ~~charging~~ claiming interest at the originally agreed rate of 4 per cent.

(11) The original order of 7th June 1927 and the later order of 9th August 1928 clearly lay down the procedure to be adopted for calculation of the amount to be paid to the District Board and it is as follows:-

(1) The net earnings of the Railway should be distributed between the two partners in proportion to the capital contributed by them (whatever be the source from which such capital has been obtained by either partner).

(2) The District Board is entitled to be reimbursed of the deficit, if any, to make up

WD 1214—GPB—500—21-10-28

Serial No.

four per cent in respect of that part of the capital which is contributed by it out of debenture loan collections.

(3) Conversely, interest on overdrawals by the Board (to make up its share of the capital outlay in any year) should be charged at 2-$\frac{2}{3}$- per cent.

(2) The Comptroller may be requested to instruct the Auditor to take action in accordance with these orders already passed in this matter.

PUD

(3) As regards para 3 of the Comptroller's letter, the papers in the file show that the Railway Department does not appear to have been consulted. The net earnings of the Railway are to be distributed between the two partners in proportion to the capital contributed by them. Under the Agreement, interest at a guaranteed rate of 4 per cent is payable on the debenture capital and conversely, the deficit in the Board's share of capital in any year should be charged with interest at 4 per cent. This amount has been contributed by Government from its general funds, and in the peculiar circumstances of the case, Government have thought fit to levy a reduced rate of 2 $\frac{2}{3}$ per cent on such overdrawals and orders have accordingly issued in the General Department.

k
9-11-28
PUD

Ag.

(4) The whole file may perhaps be forwarded to the Comptroller for information & necessary action.

NOTE—Contn. sheet

Serial No.

To H for [illegible] note before record in the Dy. Secy.

[illegible]

Will be returned after perusal by the Secy. with reference to his note of 7.12.28

6867

H Secy

L. S. Gr. for with Compliments

21 MAY 1929 GEN. & REV. SECTT. BRANCH.

WD 021—GPB—30,000—21-8-28

OFFICE OF THE COMPTROLER TO THE GOVT.
OF H. H. THE MAHARAJA OF MYSORE.

No. SPC 50/Rep/Enc 4 Camp Mysore
~~Bangalore~~, dated 31st October 1928

FINANCIAL SECRETARY
2 NOV. 1928
No

D 1908
H

S. SHAMANNA, Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Camp, Mysore ~~Bangalore.~~

To

B. Srinivasa Iyengar, Esq., B.A.,B.L.,
Financial Secretary to the Govt. of Mysore,
Camp Mysore.

GENL. & REV. SECTT.
3 NOV. 1928
FINANCIAL BRANCH

With reference to Government Proceedings No. L 1268-71/L.B. 114-24-61 dated 9th August 1928 communicating the intention of Government in issuing Government Order No. 8697-760/L.B. 114-24-59 dated 7th June 1927 in the matter of division of the net earnings of the Kolar District Railway between the Kolar District Board and Government I have the honor to forward herewith a copy of Auditor's letter No.B.B. 525 dated 11th September 1928 together with copies of enclosures received therewith and to state that as per orders of Government dated 9th August 1928 the net earnings of the Kolar District Railway in each year are required to be distributed between the Government and the District Board in the proportion of Capital contributed by each and that if the Board's share so arrived at works out to less than 4% on its Capital including the debenture loan the difference to raise the return to 4% in respect of that portion of the Capital as is raised by debentures should be paid by Government in addition. But the claim of the District Board, Kolar, was that Guaranteed interest should be deducted from the net earnings in the first instance and the balance only distributed in the ratio of Capital contributed by each.

2. If the Government order dated the 9th August 1928 be

interpreted literally it results in a larger payment of Rs 38.622/- than what the District Board had claimed.

3. It is not also known if the Government Order has been issued in consultation with the Railway Department.

4. I therefore request definite orders of Government regarding the procedure to be adopted for calculation and the amount ~~xx~~ to be paid.

5. I think, however, that a literal interpretation of the Government order ~~xxxxxxxx~~ is what is intended by Government though it involves the payment to the District Board of more than the amount claimed by it.as stated by the Auditor.

I have the honor to be,
Sir,
Your most obedient servant,

V. Thamamma.
Comptroller.,

P.A.

Letter No.B.B.525 dated the 10/11 th September 1928 from t Auditor, Mysore Railways, Mysore, to the Comptroller to the Government of Mysore, Bangalore.

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Re. Division of Net Earnings of the Kolar District Railway between the Government and the District Board.

With reference to your letter No. 63/Rys dated 23-8-1928 enquiring how the G.O. No. L 1268-71/L.B. 114-24-61 dated 9th August 1928 re division of net earnings of the Kolar District Railway between the Government and the District Board will be interpreted and applied in audit and what will be the net result, I have the honor to state as follows :-

The Government Order is not quite clear to me. From the wording of the Government Order it appears to me that it is the intention of Government that the net earnings of K.D. Railway in each year should be distributed between the -- Government and the District Board in the proportion of Capital contributed by each and that if the Board's share so arrived at, works out to less than 4% on its Capital including the debenture loan, the difference to raise the return to 4% in respect of that portion of the Capital as is raised by debentures should be paid by Government in addition. For instance, if the net earnings in a year are Rs 60,000/- and the Capital contributed by the Government and the District Board (including the debenture loan of Rs 4,48,800/-) is each Rs 12,00,000/- the amounts payable to each partner would be as noted overleaf ;-

I. District Board's share -

(1) Share of net earnings in proportion to Capital contributed -

Board's Capital	Rs 12,00,000	
Government "	12,00,000	
(ie. Board's share of earnings moiety pf	60,000 ~~60,00,000~~	Rs 30,000

(ii) Percentage of (i) on the Board's Capital of Rs 12,00,000

2.5

~~(iii)~~

(iii)	Percentage of deficit payable in respect of the debenture loan of Rs 4,48,800/-	1·5
(iv)	Amount of deficit Rs $\frac{4,48,800 \times 1.5}{100}$	6,732
	Total Board's share (i) plus (iv)	36,732

II. Government share

(Rs 60,000 - 36,732) = 23,268

Thus, the Board's share comes to Rs 36,732/- against the Government share of Rs 23,268/- though exactly one half of the Capital cost is contributed by each and it gives a percentage of 3.06 on the Board's Capital including the debentures and of 2.5 excluding the same while the returns yielded on the Government Capital is only 1.9%. If it is the intention of Government that the division should be made as indicated above, it does not appear to be equitable as it unduly benefits the District Board at the expense of Government nor does the agreement provide for such a method of division. In fact, the Board's share so arrived at is more than what the Board itself claims. Vide para 4 of the District Board President's letter No.H.C. 63/25-26 forwarded to me with your Memo. No. 159/Rys dated 14-12-1927 in accordance with which the claim works out as follows :-

		I
(1)	Total net earnings	Rs 60,000
(2)	Deduct G.I. @ payable on the debenture loan of Rs 4.48.800	17,952
(3)	Balance divisible	42,048
(4)	Board's share on its Capital of Rs (12,00,000-4,48,800). or Rs 7,51,200 in the ratio it bears to the Government Capital of Rs 12,00,000/-	16,188
(5)	Total Board's claim (2)+(4)	34,140

It may thus be seen, that the amount payable as per Government Order is more than the Board's claim by (Rs 36,732-34,140)=Rs 2,592/-.

The Board's claim does not also appear to be in order as Clause 9 (c) of the agreement which deals with the apportionment of net earnings towards interest charges on the Capital contributed by each partner does not contemplate that the Guaranteed Interest should be - - deducted from net earnings in the first instance and the balance only distributed in the ratio of Capital contributed by each.

As regards the net result of the adjustment of the claims as above, I enclose, herewith, for your information three statements A, B, & C showing the amounts payable to end of 1926-27 as per above two methods and those already paid by this office as per G.O. No. L 8697-760/ L.B. 114-24-59 dated 7-6-1927. They compare as follows :-

Amount payable as per present G.O. Rs	Amount payable as per Board's claim Rs	Amount already paid as per G.O. D/ 7-6-27 Rs
3,45,766	3,07,144	2,65,471

It may be seen that (i) the amount payable as per G.O. is more than the Board's claim by Rs 38,622/- and more than that already paid by Rs 80,295/- and (2) the Board's claim is more than the amount already paid by Rs 41,673/-.

The method of apportionment already adopted by this office appears to be quite in accordance with clauses 3(a) and 9 (c) of the agreement as already explained in my letter No.B.B.1171 dated 26-1-1928. It will also be seen from statement (C) that the Board have realised more than double the Govennment share, the former Rs 2,65,471/-. and the latter Rs 1,25,471/-. If however, it is the intention of Government that any further concessions should

be shown to the District Board, I request instructions as to what exactly is the method that should be adopted in effecting the division. It is also not known if the G.O. under reference has been issued in consultation with the Government in the Railway Department. If not, I request to know if the approval of that Department may not be obtained before the claims are finally settled.

Copy

J. Ln. Singaravelu Chetty

Superintendent
Comptroller's Office.

Statement-A.

Statement showing the amounts payable to the Kolar Dt.Board on account of its share of Net Earnings of K.D.Railway from the commencement to end of 1926-27 as per G.O.No.L.1268-71/L.B. 114-24-61 dated 9-8-1928.

.....

Year.	Total Net Earnings.	Capital contributed by each. Government Capital at end of.	Board's Capital.	Share of Net Earnings in proportion to Capital contributed. i.e. Col(3&4). Government Share.	Board's share.	Percent of return on Capital contributed by the Dt. Board (Col 4 is Amount of 6 on 4)	Deficit to be made good by Govt.in respect of the loan. Debentur loan.	Percent of deficit on loan amount.	Amount of deficit.	Total amount payable to the Board.	Remarks.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
	Rs	Rs	Rs	Rs	Rs	Per Cent.	Rs	Per Cent	Rs	Rs	
1912-13.	-	27,494.	- -	- -	- -	- -	- -	- -	- -	*	Guaranteed Interest *calculated from the date of opening of the line i.e.from 15-12-1913.
1913-14.	-253.	2,548.	3,04,391.	- -	- -	- -	3,04,391.	4.000000.	6,644.	6,644.	
1914-15.	6, 865.	7,60,553.	4,52,134.	4,147.	2,465.	0.545192.	4,48,700.	3.454808.	15,502.	17,967.	
1915-16.	24,071.	7,56,833.	7,55,261.	12,048.	12,023.	1.591900.	4,48,800.	2.408100.	10,808.	22,831.	
1916-17.	4,426.	9,25,357.	9,22,133.	2,217.	2,209.	0.239553.	4,48,800.	3.760447.	16,877.	19,086.	
1917-18.	36,052.	9,88,626.	9,22,133.	18,643.	17,399.	1.886821.	4,48,800.	2.113179.	9,484.	26,883.	
1918-19.	-5,443.	10,26,752.	9,22,133.	-	-	-	4,48,800.	4.000000.	17,952.	17,952.	
1919-20.	47,264.	11,59,545.	9,22,133.	23,296.	18,525.	2.009037.	4,48,800.	1.990963.	8,935.	27,460.	
1920-21.	33,364.	12,20,861.	9,22,133.	19,007.	14,357.	1.556933.	4,48,800.	2.443067.	10,964.	25,321.	
1921-22.	23,675.	12,64,012.	9,22,133.	13,689.	9,986.	1.082924.	4,48,800.	2.917076.	13,092.	23,078.	
1922-23.	35,244.	14,58,834.	10,91,193.	20,163.	15,081.	1.382065.	4,48,800.	2.617935.	11,749.	26,830.	

1924-25.	598.	12,45,900.	12,41,138.	29,356.	29,242.	2.356063.	4,48,800.	1.643937.	7,377.	36,619.
1925-26.	35,728.	12,99,897.	12,46,304.	18,067.	17,661.	1.417069.	4,48,800.	2.582931.	11,592.	29,253.
1926-27.	33,150.	12,85,088.	12,83,335.	31,606.	31,544.	2.457907.	4,48,800.	1.540093.	6,921.	38,465.
									Total	3,45,766

&

Masiaraud

Auditor,
Mysore Railways.

Statement-B.

....

Statement showing the amounts payable to the Kolar Dt.Board on account of its share of Net Earnings of K.D.Railway from the commencement to end of 1926-27 as claimed by the President in para 4 of his letter No.H.C.63/25-26 to the Comptroller.

...

Year.	Total Net Earnings.	Deduct Guaranteed Interest.	Surplus if any available for distribution.	Capital contributed by Govt. at end of.	Capital contributed by the Dt. Board excluding debenture loan. Total Capital at end of.	Deduct amount of loan on which Guaranteed interest at 4% is paid.	Balance.	Share of each partner in proportion of Capital contributed i.e. the ratio of Govt. share.	Board's share.	Total Board's share including G.I. i.e. (3 + 10)	Remarks.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1912-13.	- Rs	- Rs	- Rs	27,494. Rs	- Rs	- Rs	- Rs	- Rs	- Rs	- Rs	-
1913-14.	-253.	6,644.*	-	2,548.	3,04,391.	3,04,391.	-	-	-	6,644.	*G.I.calculated from the date of opening of the Rly/i.e.from 15-12-1913.
1914-15.	6,865.	17,948.	-	7,60,553.	4,52,134.	4,48,700.	3,434.	-	-	17,948.	
1915-16.	24,071.	17,952.	6,119.	7,56,833.	7,55,261.	4,48,800.	3,06,461.	4,355.	1,764.	19,716.	
1916-17.	4,426.	17,952.	-	9,25,357.	9,22,133.	4,48,800.	4,73,333.	-	-	17,952.	
1917-18.	36,052.	17,952.	18,100.	9,88,626.	9,22,133.	4,48,800.	4,73,333.	12,240.	5,860.	23,812.	
1918-19.	-5,443.	17,952.	-	10,26,752.	9,22,133.	4,48,800.	4,73,333.	-	-	17,952.	
1919-20.	47,264.	17,952.	23,869.	11,59,545.	9,22,133.	4,48,800.	4,73,333.	16,950.	6,919.	24,871.	

1920-21.	33,364.	17,952.	15,412.	12,20,861.	9,22,133.	4,48,800.	4,73,333.	11,106.	4,906.	22,259.
1921-22.	23,675.	17,952.	5,723.	12,64,012.	9,22,133.	4,48,800	4,73,333.	4,164.	1,559.	19,511.
1922.23.	35,244.	17,952.	17,292.	14,58,834.	10,91,103.	4,48,800.	6,42,393.	12,005.	5,287.	23,239.
1923-24.	28,201.	17,952.	10,249.	11,98,642.	12,75,950.	4,48,800.	8,27,150.	6,064.	4,185.	22,137.
1924-25.	58,598.	17,952.	40,646.	12,45,900.	12,41,138.	4,48,800.	7,92,338.	24,845.	15,801.	33,753.
1925-26.	35,728.	17,952.	17,776.	12,99,897.	12,46,304.	4,48,800.	7,97,504.	11,017.	6,759.	24,711.
1926-27.	63,150.	17,952.	45,198.	12,85,088.	12,83,335.	4,48,800.	8,34,535.	30,510.	14,688.	32,640.
									Total	307144

Madhavarao
Auditor,
Mysore Railways

Statement-C

...

Statement showing the amounts paid to the Dt.Board as per G.O.No.L.8697-760-L.B.114-24-59 dated 7-6-27.

Year.	Capital contributed. By District Board. Total Net Earnings	By Government.	From Debentures.	From other sources.	T o t a l.	Share of each partner in proportion to the Capital contributed by each(i.e.)in the ratio of Col.5:6. Government's share.	Board's share.	Guaranteed interest at 4% payable to the debenture holders.	Deficit payable by Govt.to make up the guaranteed interest.(9-8)	Total Board's share(8+10).	Balance Government share. (7 + 10.)	Remarks.
1.	2.	3.	4.	5.	6.	7.	8.		9.	10.	11.	12.	13.
	Rs	Rs	Rs	Rs	Rs	Rs	Rs		Rs	Rs	Rs	Rs	
1912-13.	-	27,494.	-	-	-	-	-		-	-	-	-	
1913-14.	-253.	2,548.	3,04,391.	-	3,04,391.	-	-		6,644.	6,644.	6,644.	-6,644.	
1914-15.	6,865.	760553.	4,48,700.	3434.	4,52,134.	4,147.	2465.		17,948.	15,483.	17948.	-11,336.	
1915-16.	24,071.	756833.	4,48,800.	306461.	7,55,261.	12,048.	12023.		17,952.	5,929.	17952.	6,119.	
1916-17.	4,426.	925367.	4,48,800.	473333.	9,22,133.	2,217.	2209.		17,952.	15,743.	17952.	-13,526.	
1917-18.	36,052.	988626.	4,48,800.	473333.	9,22,133.	18,653.	17399.		17,952.	553.	17952.	18,100.	
1918-19.	-5,443.	1026752.	4,48,800.	473333.	9,22,133.	-	-		17,952.	17,952.	17,952.	-17,952.	
						23,296	18525		17,952	-	18,525	23,296	

1920-21.	33,364.	1220861.	4,48,800.	473333.	9,22,133.	19,007.	14357.	17,952.	3,595.	17,952.	15,412.
1921-22.	23,675.	1264012.	4,48,800.	473333.	9,22,133.	13,689.	9986.	17,952.	7,966.	17,952.	5,723.
1922-23.	35,244.	1458834.	4,48,800.	642393.	1091,193.	20,163.	15081.	17,952.	2,871.	17,952.	17,292.
1923-24.	28,201.	1198642.	4,48,800.	827150.	1275950.	13,660.	14541.	17,952.	3,411.	17,952.	10,249.
1924-25.	58,598.	1245900.	4,48,800.	792338.	1241138.	29,356.	29242.	17,952.	-	29,242.	29,356.
1925-26.	35,728.	1299897.	4,48,800.	797504.	1246304.	18,067.	17661.	17,952.	291.	17,952.	17,776.
1926-27.	63,150.	1285088.	4,48,800.	834535.	1283335.	31,606.	31544.	17,952.	-	31,644.	31,606.
Total.						2,05,909.	185033.	2,40,016.	80,438.	2,65,471.	1,25,471.

Mysore Railways